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INSIGHT

Temporary Assistance for Needy Families (TANF) and Work Requirements

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The proposed Limit, Save, Grow Act of 2023 (H.R. 2811 as changed in the House Rules Committee, hereinafter, "Limit, Save, Grow proposal") would alter the work requirements that apply under Temporary Assistance for Needy Families (TANF). TANF is a broad purpose block grant, which is best known for helping to fund states' family cash assistance (sometimes called *welfare)*.

TANF was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (also known as the *1996 welfare reform law*; P.L. 104-193) and is associated with policies that sought to increase work. The statutory purpose of the TANF block grant is to "increase the flexibility of states" to meet certain goals, including ending the dependence of needy parents on government benefits through work, job preparation, and marriage.

TANF's Mandatory Work Participation Standards and Caseload Reduction Credit

The main TANF work requirements are numerical performance standards that states must meet. The law says that a state must engage 50% of all families and 90% of two-parent families receiving assistance in either work or activities. In turn, it is the *states that determine the work participation requirements that apply to individual recipients*. States have adopted work requirements for individuals, some adopting federal rules for what counts as being engaged in work.

A state can meet its *mandatory work participation* standard either partially or wholly through reducing the number of families receiving cash assistance**,** and thus receiving a *caseload reduction credit*. Under current law, states can receive a caseload reduction credit of 1 percentage point for each percent decline in the caseload not explicitly caused by policy changes that have occurred since FY2005. If a state reduced the number of families receiving assistance since 2005 by half (50%) or more, it reduced its 50% work standard to 0%. In FY2021, 32 jurisdictions had a 0% after-credit work standard.

The Limit, Save, Grow proposal would recalibrate the caseload reduction credit, to only count reductions in the number of families receiving assistance since FY2022. Therefore, if, beginning for FY2025, the state had not reduced the number of families receiving assistance from FY2022 levels, it would receive a 0 percentage point credit, and face a 50% standard.

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The caseload reduction credit was a policy purposefully put into place in 1996. However, there are other provisions and state practices that were not anticipated in 1996 that are, to some, loopholes that weaken the TANF work standards. Two are addressed in the proposal: *excess MOE credits* and *small checks*.

Excess MOE

TANF dollars include both federal and state dollars, with states required to report that a minimum amount of non-federal dollars are spent on TANF-eligible families. This is known as the maintenance of effort (MOE) requirement. Under TANF regulations promulgated in 1999, states are given extra credit against their work participation standard (further lowering the 50% and 90% numerical targets) if they spend above that minimum amount. The Limit, Save, Grow proposal would override that regulation and end this practice.

Small Checks

The proposal also seeks to end a state practice of providing small checks to families with working parents and subsequently counting them toward meeting the work participation standard. In recent years, some states have created separate programs that provide comparatively small TANF-funded benefits to parents receiving assistance in the Supplemental Nutrition Assistance Program (SNAP) who are already working. Funding this small benefit from TANF permits states to count these families as *working TANF families*, hence helping them meet their TANF work standard.

Historical Context

Most states were never required to meet TANF's 50% or 90% participation standards. The standards, particularly the 50% standard that applies to all families, are round numbers that straddle sending signals of high expectations and allowing flexibility. Pre-1996 welfare-to-work experiments, sometimes used today as evidence of the impact of work requirements, did not achieve these participation rates. The single national standard also does not take into account the differing characteristics of families in state assistance programs.

The Congressional Budget Office (CBO), writing in 1996, said about the standards:

> Most states will be unlikely to satisfy this requirement [TANF work participation standards] for several reasons. The cost of administering such a large scale work and training program will be high, and federal funding will be frozen at historical levels.... Some states may technically meet the required participation requirement without increasing the number of recipients working.

Following 1996, states adopted policies that allowed adult recipients who got a job to stay on TANF longer and thus count toward their participation rate. Allowing working recipients to stay on TANF longer could boost participation rates, even if it did not change a recipient's behavior toward seeking and obtaining work. The number of families receiving assistance also declined faster than was anticipated. Some of the decline was a result of fewer people being eligible for benefits, while a comparatively larger share of the decline was due to a lower rate of receipt of assistance among those eligible.

The changes proposed in the Limit, Save, Grow proposal are similar in character to those enacted in the Deficit Reduction Act of 2005 (DRA, P.L. 109-171). It also recalibrated the caseload reduction credit, changing the measurement of caseload change from 1995 forward to 2005 forward. The DRA also attempted to close certain loopholes that states had used to lessen the effect of the work standard. The DRA changes did not change the work rates actually achieved by states. Many states reacted to these changes by (1) taking advantage of other loopholes that previously were little used (excess MOE credits and small checks, described above) and (2) moving their two-parent families out of TANF/state MOE spending entirely and into solely state programs to continue to avoid to the 90% standard.

Over the longer term, with a recalibrated caseload reduction credit, the number of families receiving TANF assistance declined further from FY2005.

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